

AMENDED AND RESTATED

REPORT ON EXAMINATION

OF

MEDICAL LIABILITY MUTUAL INSURANCE COMPANY

AS OF

JUNE 30, 2016

DATE OF INITIAL REPORT

SEPTEMBER 21, 2017

DATE OF AMENDED AND RESTATED REPORT

JUNE 1, 2018

EXAMINER

MOSES EGBON

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

June 1, 2018

Honorable Maria T. Vullo  
Superintendent  
New York State of Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31521 dated August 10, 2016, attached hereto, I have made an examination into the condition and affairs of Medical Liability Mutual Insurance Company as of June 30, 2016, and submit the following report thereon.

Wherever the designations “the Company” or “MLMIC” appear herein without qualification, it should be understood to indicate Medical Liability Mutual Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s branch office located at 8 British American Boulevard, Latham, New York 12110.

Changes have been made to this report on the basis of corrected Amended and Restated By-laws certified by the President and Secretary of the Company and provided to the Department on June 1, 2018, including an attestation that the version previously provided to the Department in error was never applied to a Company vote. These changes appear on page 3, marked with new text underlined and in bold, and deleted text indicated by strike-through.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2011. This examination covered the four and a half year period from January 1, 2012 through June 30, 2016. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company’s own control environment. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records

Statutory deposits  
 Financial statements  
 Summary of recommendations

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

## 2. DESCRIPTION OF COMPANY

Medical Liability Mutual Insurance Company (“Original MLMIC”) was incorporated on April 4, 1975 and commenced business on July 1 of the same year. Original MLMIC was formed under the auspices of the Medical Society of the State of New York.

Hospital Underwriters Mutual Company (“HUM”) was incorporated on September 30, 1976 and commenced business on May 26, 1977, pursuant to Section 4107 of the New York Insurance Law. HUM’s membership was originally limited to hospitals and healthcare facilities; however, HUM received approval from the Department to issue policies to individual physicians on July 20, 1990, and allied healthcare professionals on June 6, 1994. On November 18, 1993, HUM’s name was changed to Healthcare Underwriters Mutual Insurance Company.

On July 18, 2001, Original MLMIC was merged with and into HUM, with HUM as the surviving entity which then assumed the name Medical Liability Mutual Insurance Company.

All policyholders are members of the Company. **The Amended and Restated By-laws certified by the President and Secretary of the Company on June 1, 2018, Article II, Section 2 of the Company’s amended and restated bylaws states** **state** that at any regular or special meeting of members, each individual member shall be entitled to cast one vote and each non-individual member shall be entitled to cast the following numbers of votes:

- a) **One vote if the member is a professional entity such as professional service corporation, professional limited liability company, partnership or limited liability partnership; or**

- b)** Two votes if the member is a group-model health maintenance organization (“HMO”), a preferred provider organization or a similar managed health care facility not having its own physical plant where medical treatment is provided; or
- c)** Five votes if the member is a staff-model HMO, clinic, medical center or similar entity having its own physical plant where medical treatment is provided; or
- d)** Ten votes if the member is a hospital.

A. Management

Pursuant to the Company’s amended charter and by-laws, management of the Company is vested in a board of directors consisting of 39 persons, who shall be divided into three classes; Class I, Class II and Class III, each consisting of thirteen directors, who are elected to serve a three-year term. At June 30, 2016, the board of directors was comprised of the following persons:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
<u>CLASS I (to serve until May 2017)</u>	
John V. Capotorto, MD New York, NY	Endocrinology
William A. Dolan, MD Rochester, NY	Orthopedic Surgery
Mark J. Feldman, DMD East Hills, NY	Dentistry; Executive Director, New York State Dental Association
Timothy F. Gabryel, MD Orchard Park, NY	Internal Medicine
Samuel M. Gelfand, MD Arlington, VT	Surgery
Kira Geraci-Ciardullo, MD Harrison, NY	Allergy, Pediatrics
Stanley L. Grossman, MD Newburgh, NY	Surgery; Past President, MLMIC
Leah S. McCormack, MD Middletown, NJ	Dermatologist; Member of the Board of Trustees Medical Society of the State of New York

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Robert A. Menotti, MD Clinton, NY	Surgery; President, MLMIC
Scott H. Perra Whitesboro, NY	CEO, Faxton St. Luke's Healthcare
James K. Reed, MD Cohoes, NY	President, St. Peter's Health Partners; Treasurer, MLMIC
Malcom D. Reid, MD Briarcliff Manor, NY	Physical Medicine and Rehabilitation
Malcom J. Rothbard, MD New York, NY	Obstetrics and Gynecology
<u>CLASS II (to serve until May 2018)</u>	
Anthony A. Ascioti, MD Fayetteville, NY	Anesthesiology
Charles N. Aswad, MD New York, NY	Emergency Medicine
Ann M. Barbaccia, MD Oyster Bay, NY	Obstetrics & Gynecology
David W. Felton Hamilton, NY	President, Crouse Community Nursing Home
John A. Fracchia, MD New York, NY	Urology
Alvin Katz, MD New York, NY	Otolaryngology
Margaret Lewin, MD New York, NY	Internal Medicine
Joseph R. Maldonado, Jr., MD Rome, NY	Urology
Joseph A. Mannino, MD Trumansburg, NY	Orthopedic Surgery

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Paul J. Okosky, MD Stillwater, NY	Family Practice
Kenneth D. Roberts Setauket, NY	President, John T. Mather Memorial Hospital
Salvatore S. Volpe, MD Staten Island, NY	Pediatrics, Internal Medicine
Murray A. Yost, Jr., MD Naples, FL	Obstetrics and Gynecology
<u>CLASS III (to serve until May 2019)</u>	
Margaret R. Albanese, MD New Hartford, NY	Orthopedic Surgery
Beth Cady Burghardt, MD Lafayette, NY	Otolaryngology
Duane M. Cady, MD Lafayette, NY	Surgery
Nameer R. Haider, MD New Hartford, NY	Physical Medicine and Rehabilitation
Richard L. Hehir, MD Fayetteville, NY	Internal Medicine
Richard H.S. Karpinski, MD East Chatham, NY	Plastic Surgery
Edward D. Lewis, MD Pittsford, NY	Pediatrics
John W. Lombardo, MD New York, NY	Ophthalmology
Andrew J. Merritt, MD Marcellus, NY	Family Practice
Richard M. Peer, MD Williamsville, NY	Surgery; Secretary, MLMIC



<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
David Sibulkin, MD New York, NY	Dermatology
Frederick W. Wetzel, DDS Schenectady, NY	Dentistry
Betsy Wright Jamestown, NY	President and Chief Executive Officer, WCA Hospital

The board of directors meets at least four times during each calendar year. A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended. Each board person had an acceptable record of attendance.

As of June 30, 2016, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robert A. Menotti MD	President
Richard M. Peer MD	Vice President and Secretary
James K. Reed MD	Vice President and Treasurer
Edward J. Amsler	Vice President and Assistant Treasurer
Daniel F. Canniff	Vice President and Assistant Comptroller
Patrick G. Conway	Vice President
Donald J. Fager	Vice President and Assistant Secretary
K. Wayne Kahle	Vice President and Comptroller

B. Territory and Plan of Operation

As of June 30, 2016, the Company was licensed to write business in nine states. As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property

6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
24	Credit unemployment
26	Gap
27	Prize indemnification
28	Service Contract reimbursement
29	Legal services

The Company is also licensed to write such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshore and Harbor Worker's Compensation Act (Public Law No. 803, 69<sup>th</sup> Congress as amended; 33 USC Section 901 et. seq. as amended) and as authorized by Section 4102(c) of the New York Insurance Law, reinsurance of every kind or description. The Company is also licensed to write the business of Special Risk Insurance pursuant to Article 63 of the New York Insurance Law.

Based on the lines of business for which the Company is licensed to write, and pursuant to the requirements of Article 13, 41 and 63 of the New York Insurance Law, it is required to maintain a minimum surplus to policyholders of \$35,000,000. Surplus to policyholders as of June 30, 2016, as reported in the Company's filed quarterly statement, was \$1,865,459,468. The Company also reported a special contingent surplus pursuant to Section 4109 of the New York Insurance Law of \$1,650,000 and unassigned funds of \$1,863,809,468.

The Company writes direct business exclusively in New York State and writes primarily medical professional liability insurance. All policies are issued on a non-assessable basis, and

coverage is provided on either a claims-made or occurrence basis. In addition, it was noted that most policies are renewed annually, effective July 1. During the period January 1 to June 30, 2016, the Company wrote \$13,752,323 in direct premiums in New York State.

The following schedule shows the direct premiums the Company wrote each year in New York State:

<u>Calendar Year</u>	<u>Direct Premiums Written</u>
2012	\$562,214,004
2013	\$546,311,363
2014	\$502,502,893
2015	\$422,046,023

During the examination period, the Company reported significant decreases in premiums written. This was mostly attributed to physician retirements, physicians joining risk retention groups, and physicians being absorbed by hospital policies.

#### C. Reinsurance

##### Assumed

As of June 30, 2016, the Company had no assumed reinsurance contracts in effect. All of its previously assumed business is in run-off, and the outstanding liabilities are immaterial as of the date of this examination.

The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual Statements of Statutory Accounting Principles (“SSAP”) No. 62R for its remaining assumed reinsurance business.

##### Ceded

As of June 30, 2016, the Company had a casualty catastrophe excess of loss reinsurance contract in effect, which covered its entire book of business. The contract provides reinsurance coverage of \$5 million excess of \$7 million ultimate net loss for each event with a limit of \$10 million for all events during the contract term.

The ceded reinsurance agreement in effect as of the examination date was reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

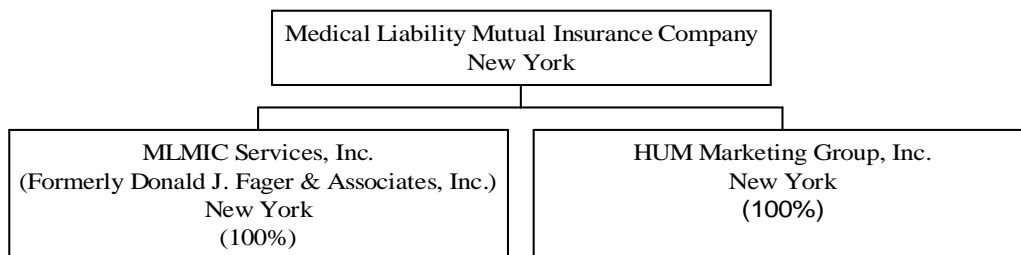
The examination review of Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. The business was ceded to authorized reinsurers. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. Furthermore, examination review indicated that the Company was not a party to any finite reinsurance agreements.

D. Holding Company System

The Company is domiciled in New York State, and it is the ultimate parent of two New York State corporations, MLMIC Services, Inc. and HUM Marketing Group, Inc.

Pursuant to Section 1502(a) of the New York Insurance Law, MLMIC is exempt from the filing requirements of Article 15. Pursuant to Circular Letter No. 10 (2010) and Department Regulation 53, the Company files Subsidiary Reporting Statements with the Department.

The following chart shows the Company's relationship to its subsidiaries within the holding company system:



At June 30, 2016, the Company was a party to the following agreements:

Amended and Restated Allocation of Consolidated Tax Liability Agreement

The Company is party to a tax sharing agreement with MLMIC Services, Inc. (formerly Donald J. Fager and Associates, Inc.,) and HUM Marketing Group, Inc. The agreement was filed with and approved by the Department pursuant to Section 1608(e) of the New York Insurance Law.

Service Agreement

The Company is a party to an administrative service agreement with Donald J. Fager and Associates, Inc. (“DJF”) to service the Company’s insurance business. This agreement is renewed periodically, with the latest renewal during the examination period having commenced on January 1, 2014. Pursuant to Section 1608(e) of the New York Insurance Law, the agreement was filed with and approved by the Department.

Effective July 2013, the Company acquired 100 percent of the shares of DJF. This transaction was filed with and approved by the Department pursuant to Section 1603(a) of the New York Insurance Law. In June 2016, DJF changed its name to MLMIC Services, Inc.

In accordance with the service agreement, the service fees the Company paid to MLMIC Services, Inc. were about \$47 million in 2012, \$47 million in 2013, \$46 million in 2014, \$47 million in 2015, and \$24.5 million for the first two quarters of 2016.

Agreements with Medical Malpractice Insurance Pool

Effective July 1, 2000, the Medical Malpractice Insurance Pool of New York State (“MMIP” or the “Pool”) was established pursuant to the Department Regulation 170 and Article 55 of New York Insurance Law. The Pool is a state mandated mechanism and a joint underwriting facility created after the Medical Malpractice Insurance Association was dissolved. The Pool provides medical professional liability coverage for physicians, surgeons and health care providers that cannot obtain medical professional liability insurance policies in a voluntary market. It is governed by a committee consisting of seven members, and it is authorized to write medical professional liability insurance on a direct basis in New York State.

Effective March 12, 2001, MLMIC entered into a service agreement with MMIP to administer the operations of the Pool. The Company was contracted by the Pool's members to service the Pool's operations. The members represent insurers licensed to write medical professional liability insurance in New York State.

As the MMIP service agreement stipulates, the Company is to maintain a "Working Fund Account" for funds it collects and expenses it pays on behalf of the Pool. Any shortfall of funds in the account shall be assessed against the Pool members in accordance with their shares of participation. For servicing the Pool, the Company receives a service fee of 12 percent of the annual premiums written by the Pool.

In the aggregate write-ins for invested assets of its June 30, 2016 quarterly statement, the Company reported the Pool's invested assets as part of its assets and established a contra-asset corresponding to the assets. Therefore, there is no effect on surplus as regards policyholders.

As a Pool member, the Company also has a participation agreement with the Pool to share in the Pool's revenues and expenses, which are allotted among the Pool's members every quarter. As of June 30, 2016, the Company's participation in the Pool was 39.01 percent, representing the highest share of all members.

#### E. Significant Operating Ratios

The following ratios have been computed as of June 30, 2016, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	.72%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	69.01%
Premiums in course of collection to surplus as regards policyholders	.12%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

The underwriting ratios presented below are on an earned/incurred basis and encompass the four and a half year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$2,057,484,760	90.78%
Other underwriting expenses incurred	197,700,240	8.72
Net underwriting gain	<u>11,344,912</u>	<u>0.50</u>
 Premiums earned	 <u>\$2,266,529,912</u>	 <u>100.00%</u>

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of June 30, 2016 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$4,401,300,336	\$	\$4,401,300,336
Preferred stocks	147,388,367		147,388,367
Common stocks	499,789,827	13,301,839	486,487,988
Properties occupied by the company	3,971,247		3,971,247
Cash, cash equivalents and short-term investments	208,023,196		208,023,196
Other invested assets	26,840,000	26,840,000	
Receivables for securities	40,462,862		40,462,862
Securities lending reinvested collateral assets	289,458,845		289,458,845
MMIP related contra-asset	(249,101,257)		(249,101,257)
Investment income due and accrued	25,616,902		25,616,902
Uncollected premiums and agents' balances in the course of collection	2,699,932	393,297	2,306,635
Deferred premiums, agents' balances and installments booked but deferred and not yet due	10,539,277		10,539,277
Amounts recoverable from reinsurers	2,358,633		2,358,633
Funds held by or deposited with reinsured companies	1,667		1,667
Current federal and foreign income tax recoverable and interest thereon	29,495,087		29,495,087
Net deferred tax asset	59,158,536	28,983,262	30,175,274
Electronic data processing equipment and software	621,042		621,042
Furniture and equipment, including health care delivery assets	52,060	52,060	0
Participation in MMIP	110,598,877	4,269	110,594,608
Prepaid expenses and other expense related receivables	1,737,757	1,737,757	
Leasehold improvements	<u>215,093</u>	<u>215,093</u>	<u>0</u>
Total assets	<u>\$5,611,228,286</u>	<u>\$71,527,577</u>	<u>\$5,539,700,709</u>



Liabilities, surplus and other fundsLiabilities

Losses and loss adjustment expenses	\$3,248,981,499
Reinsurance payable on paid losses and loss adjustment expenses	1,134,805
Commissions payable, contingent commissions and other similar charges	107,425
Other expenses (excluding taxes, licenses and fees)	1,985,000
Taxes, licenses and fees (excluding federal and foreign income taxes)	(6,318,842)
Unearned premiums	43,063,955
Advance premium	2,169,937
Dividends declared and unpaid - policyholders	76,150,000
Ceded reinsurance premiums payable (net of ceding commissions)	22,034
Amounts withheld or retained by company for account of others	27,282
Drafts outstanding	450
Payable for securities	16,869,398
Payable for securities lending	289,458,845
Premiums deficiency reserves	408,000
Retroactive reinsurance assumed payable	<u>181,453</u>
Total liabilities	3,674,241,241

Surplus and Other Funds

Special contingency surplus	\$ 1,650,000	
Unassigned funds (surplus)	<u>1,863,809,468</u>	
Surplus as regards policyholders		<u>1,865,459,468</u>
Total liabilities, surplus and other funds		<u>\$5,539,700,709</u>

Note: The Internal Revenue Service has not yet begun to audit the Company's tax returns covering tax years 2012 through June 30, 2016. The examiner is unaware of any potential exposure of the Company to any tax assessment, and no liability has been established herein relative to such contingency.

B. Statement of Income

Net income for the four and a half year examination period January 1, 2012 through June 30, 2016 was \$702,827,288, detailed as follows:

Underwriting Income

Premiums earned		\$2,266,529,912
Deductions:		
Losses and loss adjustment expenses incurred	\$2,057,484,760	
Other underwriting expenses incurred	201,052,240	
Change in premium deficiency reserves	<u>(3,352,000)</u>	
Total underwriting deductions		<u>2,255,185,000</u>
Net underwriting gain or (loss)		11,344,912

Investment Income

Net investment income earned	470,459,424	
Net realized capital gain or (loss) less capital gain tax	<u>451,403,060</u>	
Net investment gain or (loss)		921,862,484

Other Income

Net gain or (loss) from agents' or premium balances charged off	(2,126,972)	
Finance and service charges not included in premiums	660,485	
Change in anticipated future investment earnings	(49,099,407)	
Management fee income MMIP and other income	19,893,005	
Participation in MMIP investment income	<u>5,204,144</u>	
Total other income		<u>(25,468,745)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		907,738,651
Dividends to policyholders		<u>172,076,636</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		735,662,015
Federal and foreign income taxes incurred		<u>32,834,727</u>
Net income		\$ <u>702,827,288</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$700,859,627 during the four and a half year examination period, January 1, 2012 through June 30, 2016, detailed as follows:

Surplus as regards policyholders per Company as of December 31, 2011			\$1,164,599,841
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$702,827,288		
Change in net unrealized capital gains or (losses) less capital gains taxes		\$ 1,006,513	
Change in net deferred income tax		78,405,503	
Change in non-admitted assets	<u>77,444,355</u>	<u>0</u>	
Total gains and losses	<u>\$780,271,643</u>	<u>\$79,412,016</u>	
Net increase in surplus			<u>700,859,627</u>
Surplus as regards policyholders per Company as of June 30, 2016			<u>\$1,865,459,468</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$3,248,981,499 is the same as reported by the Company as of June 30, 2016. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

As of June 30, 2016, the Company’s loss and loss adjustment expense reserves were discounted by \$247,344,702. Pursuant to Section 4117(e) of the New York Insurance Law, the Department provisionally granted a permitted practice to the Company that allowed its liability to be discounted, reflecting the time value of money.

## 5. SUBSEQUENT EVENT

### Conversion of MLMIC to a Domestic Stock Property/Casualty Insurance Company

Section 7307 of the New York Insurance Law states in part:

“(b) A domestic mutual insurer may apply to the superintendent for permission to convert into a domestic stock property/casualty insurer complying with the relevant organization and licensing provisions of articles twelve and forty-one of this chapter. The application to the superintendent shall be pursuant to a resolution, adopted by no less than a majority of the entire board of directors, specifying the reasons for and the purposes of the proposed conversion, and the manner in which the conversion is expected to benefit policyholders and the public. A copy of the resolution, together with a statement of its adoption, both certified by the president and secretary, or officers corresponding to either of them, and affirmed by them as true under the penalties of perjury and under the seal of the mutual insurer, shall accompany the application. The superintendent may thereafter request any additional documents and information which he may reasonably require. Unless the superintendent finds that...

(3) the mutual insurer does not have a surplus to policyholders at least equal to the minimum capital and surplus required to be maintained for a newly organized stock insurer doing the same kinds of insurance...the superintendent shall order an examination of the mutual insurer pursuant to section three hundred ten of this chapter as of the last day of the period covered in its latest filed statement...

(f) Prompt notice shall be given by the mutual insurer to all persons who become policyholders or holders of section 1307 agreements on or after the date of the adoption of the resolution described in subsection (b) hereof, of the pendency of a proposed conversion and of the effect thereof on them.”

On July 15, 2016 MLMIC submitted an application to the Department, as required by Section 7307(b) of the Insurance Law, for permission to convert into a domestic stock property/casualty insurance company. Such application included a copy of the resolutions that were adopted unanimously by the board of directors on July 15, 2016. The resolutions specify the reasons for and the purposes of the proposed conversion and the manner in which the conversion is expected to benefit policyholders and the public.

Among the stated reasons for and the purposes of the proposed conversion were that:

1. Such affiliation will help ensure the continuity of the Company's medical professional liability insurance and other business, will enhance the competitiveness of the Company and will generate efficiencies and opportunities for improved financial performance;

2. The Company will become a member of a group which includes other insurers that specialize in providing liability insurance coverage to healthcare providers. The affiliation will broaden the healthcare related product offerings of the Berkshire Hathaway Group and provide additional healthcare contacts and insights for the Company;
3. Such affiliation will provide the Company with greater flexibility to obtain capital as compared to the current mutual insurance company structure, will enhance the Company's financial strength and will provide the Company with greater resources to back its obligations to policyholders and to underwrite additional business, including by providing the Company with the opportunity to obtain an A.M. Best rating;
4. Such affiliation will provide the Company with increased flexibility to support the growth of existing product lines and to take advantage of investment and acquisition opportunities as they may arise; and
5. Such affiliation will establish a strategic fit, matching the compatible visions of the future of the Company.

On August 22, 2016, the Department found the application filed with the Superintendent to be acceptable in accordance with Section 7307(b) of the New York Insurance Law and ordered an examination of MLMIC as of June 30, 2016. Further, pursuant to Section 7307(f) of the New York Insurance Law, the Department directed that prompt notice be given to all persons who became policyholders or holders of Section 1307 agreements on or after July 15, 2016, of the pendency of the proposed conversion and the effect thereof on them.

This examination was also conducted in accordance with the provisions of Section 7307(b)(3) of the New York Insurance Law.

## **6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

The prior report on examination contained no comments or recommendations.

## **7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report contains no comments or recommendations.

Respectfully submitted,

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Moses Egbon, CFE  
Associate Insurance Examiner

STATE OF NEW YORK    )  
  )ss:  
COUNTY OF NEW YORK )

MOSES EGBON, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

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Moses Egbon

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

*APPOINTMENT NO. 31521*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, Maria T. Vullo, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***Moses Egbon***

*as a proper person to examine the affairs of the*

***Medical Liability Mutual Insurance Company***

*and to make a report to me in writing of the condition of said*

***COMPANY***

*with such other information as he shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed by name  
and affixed the official Seal of the Department  
at the City of New York*

*this 10th day of August, 2016*

***MARIA T. VULLO***  
*Superintendent of Financial Services*



By:

*Joan P. Riddell*

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Deputy Bureau Chief*